stockman kast ryan + co LLP

CARE AND SHARE, INC.
AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended June 30, 2018

And

Independent Auditors' Report

CARE AND SHARE, INC. AND SUBSIDIARY

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Care and Share, Inc.

We have audited the accompanying consolidated financial statements of Care and Share, Inc. (a non-profit organization) and its subsidiary, GoalZero Recycling, Inc., (collectively, the Organization) which comprise the consolidated balance sheet as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Care and Share, Inc. and Subsidiary as of June 30, 2018 and the change in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Report on Summarized Comparative Information

We have previously audited Care and Share, Inc. and Subsidiary's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

September 21, 2018

CARE AND SHARE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
JUNE 30, 2018 (with comparative totals for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,582,573	$ 1,578,328
Cash held for building repairs	249,384	657,226
Total cash and cash equivalents	1,831,957	2,235,554
Accounts and grants receivable	592,066	520,619
Pledges receivable, net	185,351	204,038
Inventories	2,295,044	2,501,485
Prepaid expenses	58,858	81,987
Total current assets	4,963,276	5,543,683
PROPERTY AND EQUIPMENT, NET	8,371,235	8,125,411
TOTAL ASSETS	$ 13,334,511	$ 13,669,094
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 301,619	$ 300,777
Accrued expenses	357,682	337,783
Current portion of long-term debt	185,077	192,188
Total current liabilities	844,378	830,748
LONG-TERM DEBT	2,179,059	2,489,461
Total liabilities	3,023,437	3,320,209
NET ASSETS		
Unrestricted:		
Donated food	2,012,774	2,199,592
Invested in property and equipment	6,010,340	5,553,762
Undesignated	1,398,917	1,174,430
Board designated		907,000
Total unrestricted	9,422,031	9,834,784
Temporarily restricted	889,043	514,101
Total net assets	10,311,074	10,348,885
TOTAL LIABILITIES AND NET ASSETS	$ 13,334,511	$ 13,669,094

See notes to consolidated financial statements.

CARE AND SHARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 (with comparative totals for 2017)

	2018							
	Unrestricted			Temporarily Restricted				
	Operating	Donated Food	Total	Disaster Relief	Other	Total	Total	2017 Total
REVENUES AND SUPPORT								
Contributions and grants	$ 4,228,422	$ 40,312,939	$ 44,541,361	$ 2,704	$ 1,873,014	$ 1,875,718	$ 46,417,079	$ 43,594,068
Operations income	2,117,974		2,117,974			—	2,117,974	1,700,479
Investment income	4,375		4,375			—	4,375	4,053
Net assets released from restrictions	1,500,776		1,500,776	(28,531)	(1,472,245)	(1,500,776)	—	
Total revenues and support	7,851,547	40,312,939	48,164,486	(25,827)	400,769	374,942	48,539,428	45,298,600
EXPENSES								
Program services:								
Warehousing and distribution of food	6,244,756	40,499,757	46,744,513			—	46,744,513	43,086,308
Support services:								
Development	1,066,848		1,066,848			—	1,066,848	1,052,441
General and administrative	707,189		707,189			—	707,189	757,732
Total expenses	8,018,793	40,499,757	48,518,550	—	—	—	48,518,550	44,896,481
CHANGE IN NET ASSETS FROM OPERATIONS	(167,246)	(186,818)	(354,064)	(25,827)	400,769	374,942	20,878	402,119
NON-OPERATING EXPENSES, NET	58,689		58,689			—	58,689	187,023
CHANGE IN NET ASSETS	(225,935)	(186,818)	(412,753)	(25,827)	400,769	374,942	(37,811)	215,096
NET ASSETS, Beginning of year	7,635,192	2,199,592	9,834,784	137,384	376,717	514,101	10,348,885	10,133,789
NET ASSETS, End of year	$ 7,409,257	$ 2,012,774	$ 9,422,031	$ 111,557	$ 777,486	$ 889,043	$ 10,311,074	$ 10,348,885

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018 (with comparative totals for 2017)

	2018				
	Program	Development	General and Administrative	Total	2017 Total
EXPENSES					
Donated distributions	$ 40,499,757			$ 40,499,757	$ 37,720,045
Salaries and related expenses	1,984,868	$ 470,028	$ 456,258	2,911,154	2,486,131
Food purchase program	2,203,428			2,203,428	1,862,917
Donated food acquisition	656,915			656,915	542,597
Depreciation and amortization	345,944	7,688	4,666	358,298	345,880
Transportation	354,394			354,394	302,778
Printing	2,034	246,322		248,356	329,959
Occupancy	224,933	7,945	6,573	239,451	206,424
Equipment lease and maintenance	98,562	16,158	46,857	161,577	183,060
Supplies	111,660	1,263	19,923	132,846	151,887
Postage	612	115,501	200	116,313	102,830
Advertising and promotions	87	100,029	18	100,134	100,779
Interest expense	77,032	1,712	1,039	79,783	198,740
Insurance	58,846	7,355	7,356	73,557	53,301
Professional fees	32,623	1,821	32,094	66,538	85,641
Professional development	16,606	20,811	16,683	54,100	15,981
Field expense	38,204	3,472	9,513	51,189	55,221
Organizational expenses	6,036	10,933	26,180	43,149	29,893
Telephone	20,686	6,896	6,034	33,616	26,725
Food bank fees	11,286			11,286	8,711
Miscellaneous		48,914	73,795	122,709	86,981
TOTAL	$ 46,744,513	$ 1,066,848	$ 707,189	$ 48,518,550	$ 44,896,481
PERCENT OF TOTAL	96%	2%	2%	100%	
TOTAL – 2017	$ 43,086,308	$ 1,052,441	$ 757,732		$ 44,896,481
PERCENT OF TOTAL – 2017	96%	2%	2%		100%

See notes to consolidated financial statements.

CARE AND SHARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018 (with comparative totals for 2017)

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (37,811)	$ 215,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	358,298	345,880
Gain on disposal of property and equipment	(4,000)	(1,000)
Loss on impairment of property and equipment		136,139
Loss on abandonment of assets	18,105	
Changes in operating assets and liabilities:		
Accounts and grants receivable	(71,447)	65,528
Pledges receivable	18,687	(66,679)
Inventories	206,441	(640,123)
Other assets	31,484	69,317
Accounts payable and accrued expenses	20,741	15,811
Net cash provided by operating activities	540,498	139,969
INVESTING ACTIVITIES		
Purchases of property and equipment	(223,740)	(358,142)
Proceeds from sale of property and equipment	5,000	1,000
Purchase of property through use of proceeds from insurance	(407,842)	
Proceeds from insurance on impairment of property and equipment		657,226
Net cash provided by (used in) investing activities	(626,582)	300,084
FINANCING ACTIVITIES		
Principal payments on long-term debt	(320,756)	(167,858)
Proceeds from issuance of long-term debt	3,243	
Proceeds from draws on line of credit	270,000	
Repayments on line of credit	(270,000)	
Net cash used in financing activities	(317,513)	(167,858)
NET CHANGE IN CASH AND EQUIVALENTS	(403,597)	272,195
CASH AND EQUIVALENTS, Beginning of year	2,235,554	1,963,359
CASH AND EQUIVALENTS, End of year	$ 1,831,957	$ 2,235,554
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 80,558	$ 126,444
Note payable issued for purchase of property and equipment		$ 35,600
Development Revenue Bond repaid through issuance of note payable		$ 2,360,000

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Care and Share, Inc. (Care and Share) provides resources to feed people in need. As a regional food bank, Care and Share acts as a clearing house for food donated from national and local manufacturers, regional growers and distributors, the local food industry, and the community at large. During each of the years ended June 30, 2018 and 2017, Care and Share served approximately 300 non-profit feeding programs throughout Care and Share's thirty-one county service area in southern Colorado.

Care and Share formed GoalZero Recycling, Inc. (GoalZero), a wholly owned for-profit entity during the year ended June 30, 2016. GoalZero provides recycling of food waste in addition to recycling of items such as cardboard, shrink wrap and pallets. Management terminated GoalZero as of September 30, 2017. Certain activities at GoalZero have been continued by Care and Share.

Principles of Consolidation — The consolidated financial statements include the accounts of Care and Share and its wholly-owned subsidiary, GoalZero (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable — Accounts receivable relate to amounts due for various services. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. At June 30, 2018 and 2017, no allowances had been recorded on accounts receivable.

Pledges Receivable — Unconditional promises to give are recognized as support and assets in the period received. Pledges receivable are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Management provides for probable uncollectible amounts through an allowance for uncollectible promises to give based on an assessment of the current status of individual receivables and general economic conditions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories — Inventories consist of donated food products, purchased food and government food commodities. Donated food is valued at its estimated wholesale value of $1.73 and $1.67 per pound as of June 30, 2018 and 2017, respectively. Government commodities are valued at their estimated wholesale value of $1.52 and $1.67 per pound as of June 30, 2018 and 2017, respectively. Purchased food is recorded at cost.

During the year ended June 30, 2017, the Organization adopted a new accounting policy relating to the valuation of United States Department of Agriculture (USDA) commodities. The Organization began valuing USDA donated food at the Feeding America reported valuation of commodities which is consistent with how the Organization values all other donated food. The Organization had previously valued the food products received from the USDA at the USDA reported cost of the commodities. This change provides added efficiencies for the Organization. The result of this change was to increase the value of the USDA commodities on hand by $585,000.

Property and Equipment — Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which is estimated to be thirty-nine years for buildings and five to ten years for furnishings and equipment.

The Organization's general policy is to capitalize acquisitions of property and equipment costing in excess of $5,000 and having a useful life exceeding one year.

Contributions — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Contributions restricted specifically for disaster relief efforts are recorded as restricted even if the restriction is met in the same year. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized in future years and is reported as contribution revenue.

Contributions for Others — The Organization receives a significant amount of donated food that is designated for others. This food is received for and distributed to schools and counties in Southern Colorado. As the Organization does not have any variance power over these donated items, they have not been recorded in the Organization's financial statements.

Allocation of Functional Expenses — The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Marketing and Advertising — The Organization expenses marketing and advertising costs as they are incurred.

Income Taxes — Care and Share is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction.

GoalZero is a C Corporation and is subject to income taxes. GoalZero accounts for income taxes using the net asset and liability method and recognizes the tax consequences of temporary differences by applying enacted statutory tax rates applicable for future years to differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Goal Zero incurred a net loss of $58,689 and $187,023 during the years ended June 30, 2018 and 2017, respectively. Management does not believe any net loss would be recoverable and therefore has not recorded any deferred tax assets.

The Organization accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. PLEDGES RECEIVABLE

Unconditional promises to give are as follows at June 30:

	2018	2017
Due in less than one year	$ 193,611	$ 227,820
Allowance for uncollectible amounts	(8,260)	(23,782)
Total	$ 185,351	$ 204,038

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2018	2017
Buildings	$ 7,388,544	$ 6,924,452
Land	1,997,091	1,997,091
Furnishings and equipment	2,590,284	2,571,359
Total	11,975,919	11,492,902
Less accumulated depreciation	3,604,684	3,367,491
Property and equipment, net	$ 8,371,235	$ 8,125,411

During the year ended June 30, 2017, the Colorado Springs building incurred hail damage resulting in the building's roof requiring replacement. The Organization received insurance proceeds of $657,226 and incurred a net loss of $136,139, which is recorded in operations income in the Statement of Activities. Insurance proceeds are shown as cash held for building repairs on the consolidated balance sheet as of June 30, 2017.

4. BOARD DESIGNATED UNRESTRICTED NET ASSETS

During the year ended June 30, 2017, the policy of the Board of Directors was to review its plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the Board of Directors for specific future needs were treated as board designated unrestricted net assets. The balance could be transferred to the undesignated portion of unrestricted net assets at the Board's discretion. Designated board reserves were as follows at June 30, 2017:

Operating reserves	$ 797,000
GoalZero	110,000
Total	$ 907,000

During the year ended June 30, 2018, the policy was changed and the Board of Directors of the Organization no longer designates unrestricted net assets for future needs.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	2018	2017
Property and equipment purchases	$ 339,398	
Time restricted	193,611	$ 227,820
Disaster relief	111,557	137,384
Agency empowerment	75,000	
Technology consulting	75,000	
Children's nutrition initiative	72,970	
Pueblo operation	21,507	18,697
Within reach		62,500
Starbucks		41,000
SNAP		26,700
Total	$ 889,043	$ 514,101

During 2012 and 2013, the Colorado Springs area experienced two forest fires that destroyed approximately 800 homes in the area. In response to the fires, the Colorado Springs community contributed significant amounts of food, other in-kind items and cash to be used for fire and other disaster relief efforts.

6. DONATED PRODUCTS AND SERVICES

The solicitation, receipt, storage and distribution of donated food products constitute the Organization's principal operating activity. The value of unrestricted donated food products received and distributed during the year ended June 30, 2018 was $40,312,939 and $40,499,757, respectively.

For the years ended June 30, 2018 and 2017, the Organization recorded other donated goods and services totaling $23,590 and $30,114, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization received approximately 50,337 and 48,692 volunteer hours during the years ended June 30, 2018 and 2017, respectively, with an estimated value of $1,243,000 and $1,175,000, respectively. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

7. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	2018	2017
Loan issued by a bank bearing interest at 3.125%, payable in monthly payments of $16,486, matures on June 25, 2032 and secured by a deed of trust on land and a building located in Colorado Springs, recorded at $6,770,339, net of depreciation.	$ 2,234,295	$ 2,360,000

	2018	2017
Loan issued by a bank bearing interest at 2.90%, payable in monthly payments of $2,642, matures on January 1, 2021, and secured by 1st lien on specified property and equipment, recorded at $52,420, net of depreciation.	75,420	104,441
Loan issued by a bank bearing interest at 3.25%, payable in monthly payments of $2,299, matures on April 20, 2020, and secured by 1st lien on a semi-tractor, recorded at $51,337, net of depreciation.	51,180	76,623
Unsecured loans issued by three private foundations bearing interest at 2.00%, interest payable annually and principal payable at maturity on December 31, 2018. Notes were paid in full in September 2017.		110,000
Loan issued by a bank bearing interest at 2.90%, payable in monthly payments of $639, matures on September 22, 2021, and secured by 1st lien on specified equipment. The note was paid in full in September 2017.		30,585
Other	3,241	
Total	2,364,136	2,681,649
Less current portion	185,077	192,188
Long-term portion	$ 2,179,059	$ 2,489,461

Required annual minimum principal payments are as follows as of June 30, 2018:

2019	$ 185,077
2020	192,006
2021	152,077
2022	141,732
2023	146,289
Thereafter	1,546,955
Total	$ 2,364,136

The Organization has a $750,000 line of credit with a bank with a maturity date of March 1, 2020. The line of credit bears interest at the Wall Street Journal Prime Rate less .25% with a floor of 3.25% (5% as of June 30, 2018) and is secured by all inventory, accounts and general intangibles of the Organization. No amounts were outstanding on the line of credit as of June 30, 2018 and 2017.

During 2018 the Organization entered into a $250,000 line of credit with a bank that matures on March 1, 2023. The line of credit bears interest at the Wall Street Journal Prime Rate less .25% with a floor of 3.25% (5% as of June 30, 2018) and is secured by a 2nd deed of trust on land and a building located in Colorado Springs, recorded at $6,770,339, net of depreciation. No amounts were outstanding on the line of credit as of June 30, 2018.

8. OPERATING LEASES

The Organization leases office equipment and trucks under the terms of non-cancellable operating leases, expiring through fiscal year 2024.

Future minimum annual lease payments are as follows:

2019	$ 52,861
2020	29,929
2021	6,997
2022	6,997
2023	6,997
Thereafter	583
Total	$ 104,364

Rent expense on the leases above was $67,363 and $41,145 during the years ended June 30, 2018 and 2017, respectively.

9. CONCENTRATIONS

The Organization maintains its cash and equivalents in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2018, the Organization's bank accounts exceeded FDIC limits by approximately $589,000.

The Organization is the designated Feeding America Food Bank of Southern Colorado. Feeding America is a national food bank. The Organization receives approximately one-half of its donated food through Feeding America.

10. TAX-DEFERRED ANNUITY PLAN

The Organization offers a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code, covering full-time employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. During the year ended June 30, 2018, the Organization began matching employee contributions to the plan up to 3% of each employee's compensation. Employer contributions were $16,374 during the year ended June 30, 2018.